DETERMINANTS OF MOTION PICTURE BOX OFFICE IN CHINA

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ABSTRACT

The purpose of the present research proposal is to identify the determinants of motion picture box office in China. Five potential such determinants will be investigated, and there are personnel attractiveness, cultural familiarity, timing, critic and advertising. That is, the relationships aforementioned independent variables and the dependent variable (motion picture box office in China) will be examined in the present study. Such relationship strength can only be identified based on quantitative data, and hence the deductive/quantitative research approach will be used. Hypotheses are developed based on the previous studies and theories. Secondary quantitative data from the movies released from 2012 to 2014 in China will be collected to test the hypotheses, on the basis of the simple random sampling method. Data analysis will be conducted based on the SPSS 19.0, the standard multiple linear regression analysis will be conducted to examine the relationship strength between the aforementioned independent variables and the dependent variable.

Key Words: box office, personnel attractiveness, cultural familiarity, timing, critic and advertising

Chapter 1 Introduction

1.1 Background of the Study

Motion pictures (movies) are common products among consumers in the world. However, production and marketing management of motion pictures is of high risk. Past research shows that three to four-tenths movies reach the break-even point (Valenti, 2004), and one-tenth achieves profitable box office performance (Vogel, 2001). Nowadays, movies are distributed via various channels, such as movie theaters, DVDs, online theaters, mobile devices such as smart phones and computers, and so on. Theatrical channel however remains the critical role in distributing a movie successfully, which further determines the successful distribution of the movie in other channels (Elberse & Eliashberg, 2002). In order to achieve profitable box office performance, it is crucial to identify the relevant determinants or antecedents. Such determinants may include personnel attractiveness, cultural familiarity, timing, critic, advertising, and so on. However, these factors may not be applicable in all contexts, implying that an empirical study becomes significant in a particular context.

1.2 Research Problem

The world's motion picture industry once witnessed rapid growth, but has slowed down in the recent years, with the overall growth rate only 1 percent in 2014 (SINA, 2015).In contrast, China has achieved rapid growth of its motion picture industry. In 2014, the overall box office reached USD4.8 billion in China, increased 36.15% year-on-year (SINA, 2015). For many film firms, therefore, China provides them with the opportunity to achieve profitable box office performance. For example, Pacific Rim, Cloud Atlas and John Carter did not witnessed high return, but achieved high box office in China (Chew, 2015). It is therefore of significance to study the determinants of motion picture box office in China. A rough review of the existing literature reveals that very limited studies have been conducted to identify such determinants. The research problem of this study is: what are the determinants of motion picture box office in China?

1.3 Research Goal/Objectives

The research goal of this study is to identify the determinants of motion picture box office in China. To achieve this goal, the following research objectives will be achieved:

- To find the impact of personnel attractiveness on motion picture box office in China.
- To find the impact of cultural familiarity on motion picture box office in China.
- To find the impact of timing on motion picture box office in China.
- To find the impact of critic on motion picture box office in China.
- To find the impact of advertising on motion picture box office in China.

1.4 Research Questions

The following research questions will be addressed:

- What is the impact of personnel attractiveness on motion picture box office in China?
- What is the impact of cultural familiarity on motion picture box office in China?
- What is the impact of timing on motion picture box office in China?
- What is the impact of critic on motion picture box office in China?
- What is the impact of advertising on motion picture box office in China?
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1.5 Research Hypotheses

The following research hypotheses are developed:

H1: There is a positive relationship between personnel attractiveness and motion picture box office in China

H2: There is a positive relationship between cultural familiarity and motion picture box office in China.

H3: There is a positive relationship between timing and motion picture box office in China

H4: There is a positive relationship between critic and motion picture box office in China

H5: There is a positive relationship between advertising and motion picture box office in China

1.6 Significance of the Study

The present study is the first attempt in identifying the determinants of motion picture box office in China. Moreover, the findings of the present study have also provided the basis for future research for other researchers who are interested in the motion picture box office performance, particularly in China where theory and practice of the motion picture box office performance needs further development. Furthermore, the findings of this study provide useful information for film firms and marketers when making decisions of improving motion picture box office in China.

Chapter 2 Literature Review

2.1 Relevant Theories

2.1.1 Motion Picture

A motion picture (also called a film or movie) is a series of still images which, when shown on a screen, creates the illusion of moving images because of the phi phenomenon. Such illusion leads the audience to perceive continuous motion between separate objects viewed rapidly in succession (Nelmes, 2004).

2.1.2 Box Office

A box office is a place where tickets are sold to the public for admission to an event. Patrons may perform the transaction at a countertop, through a hole in a wall or window, or at a wicket. By extension, the term is frequently used, especially in the context of the film industry, as a synonym for the amount of business a particular production, such as a film or theatre show, receives (Basuroy *et al*., 2003). Box office business can be measured in terms of the number of tickets sold or the amount of money raised by ticket sales. The projection and analysis of these earnings is very important for the creative industries and often a source of interest for fans. This is predominant in the motion picture industry (Basuroy *et al*., 2003).

2.2 Reviews on Previous Studies

Eliashberg and Shugan (1997) conducted a study on whether film critics are influencers or predictors of box office performance. Film critic is the analysis and evaluation of films conducted by film scholars or journalists. Their samples of motion pictures were derived from Baseline Inc. and EDI. Critics' review data was taken from Variety Magazine, which divided reviews into pro (positive), con (negative) and mixed. Based on the multiple regression method, Eliashberg and Shugan found that critics were correlated with late and cumulative box office performance, but did not significantly impact early box office performance.

Based on the data derived from a random sample of 200 films released between 1991 and 1993, Basurory *et al.* (2003) investigated the effects of film critics, personnel attractiveness(star power)

and budgets on the box office performance. They found that both pro and con reviews were significantly related to weekly box office performance of films. They then concluded that critics could both influence and predict box office performance, implying it was a significant determinant. Their study also found that popular stars and high budgets reinforced box office performance.

A study by Hennig-Thurau et al. (2006) also identified the successful derivers for sequential motion picture performance. Their data was derived from a sample of 331 motion pictures released in theaters from 1999 to 2001. Using the partial least square method, their study concluded that personnel attractiveness (such as actor, director and producer), cultural familiarity (which describes a movie's potential to be categorized into existing cognitive categories by consumers to which the consumer has positive associations), advertising, timing (such as summer and Christmas), etc., were all related to box office performance.

Krider and Weinberg (1998) investigated the role of timing of release new products in determining the motion picture box performance. Their study found that timing of film release was a key determinant of motion picture box office performance. For example, weekly revenues reached a peak at the Christmas week and then declined sharply. The authors suggested that the current release timing decisions could be further improved by avoiding competition in the general context of introduction timing.

Einav (2001) investigated seasonality in underlying demand for movies and seasonal variation in the quality of movies. Einav found that peak periods were in the summer months and the Christmas season because distributors think that was when the public wanted to see movies and when the best movies were released. Einav commented that distributors could make more money by releasing "higher quality" movies during non-peak times because the movie quality would build the audience and there would be less competition than at peak times.

2.3 Research Framework

Figure 2.3-1 shows the research framework of this study. As shown, the independent variables include personnel attractiveness, cultural familiarity, timing, critic and advertising. The dependent variable is motion picture box office performance in China.

Figure 1–Research Framework of the Study
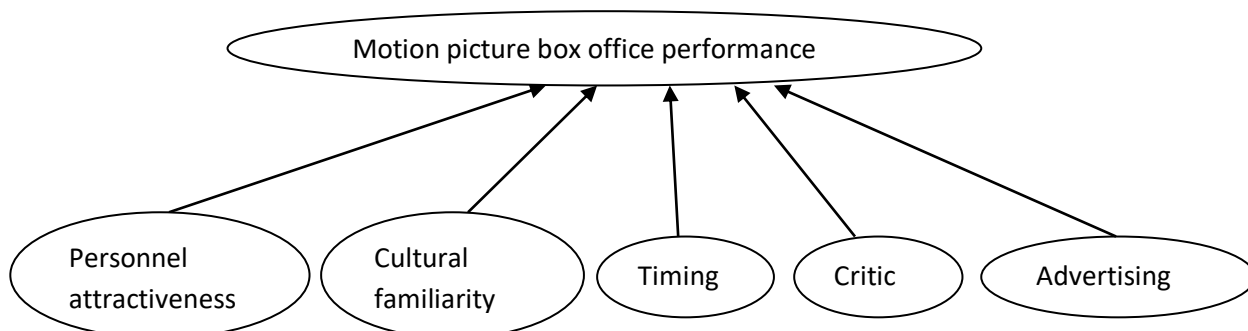
Chapter 3 Research Methodology

This study adopted the deductive research approach which is based on the existing literature. Hypotheses are developed based on the previous studies and theories. Secondary quantitative data will be collected to test the hypotheses. The target population of this study includes movies released from 2012 to 2014 in China, including English-speaking movies and domestic movies. A sampling frame will be created. Samples will be drawn from this frame based on the simple random sampling method. Data analysis will be conducted based on the SPSS 19.0, the standard multiple linear regression analysis will be conducted to identify the determinants of the motion picture box office performance in China.

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